

Human Rights Watch, Inc.

Financial Statements **Year Ended June 30, 2010**

The report accompanying these financial statements was issued by BDO USA, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Human Rights Watch, Inc.

Financial Statements
Year Ended June 30, 2010

Human Rights Watch, Inc.

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Independent Auditors' Report

Board of Directors
Human Rights Watch, Inc.
New York, New York

We have audited the accompanying statement of financial position of Human Rights Watch, Inc. as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Human Rights Watch, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2009 is presented for comparative purposes only and was extracted from the financial statements of Human Rights Watch, Inc. for that year, on which we expressed an unqualified opinion, dated September 11, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Human Rights Watch, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Rights Watch, Inc. as of June 30, 2010, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

September 28, 2010

Human Rights Watch, Inc.

Statement of Financial Position (with comparative totals for 2009)

<i>June 30,</i>	2010	2009
Assets		
Cash and cash equivalents (Note 2)	\$ 18,869,076	\$ 21,014,900
Investments, at fair value (Note 3)	59,544,303	48,419,943
Investments in limited partnerships (Note 4)	11,488,387	17,020,192
Contributions receivable, net (Note 5)	20,741,758	19,857,220
Other receivables	862,792	526,722
Prepaid expenses	343,852	293,732
Security deposits	177,209	164,707
Fixed assets, net (Note 6)	1,903,301	1,957,909
	\$113,930,678	\$109,255,325
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,139,547	\$ 2,039,796
Accrued pension expense	91,554	89,288
Deferred rent	674,632	745,197
Deferred revenue	22,575	22,575
Total liabilities	2,928,308	2,896,856
Commitments (Note 10)		
Net assets:		
Unrestricted (Note 2)	5,955,114	7,998,016
Temporarily restricted (Notes 2, 7 and 8)	105,047,256	98,360,453
Total net assets	111,002,370	106,358,469
	\$113,930,678	\$109,255,325

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Statement of Activities (with comparative totals for 2009)

Year ended June 30,

	Unrestricted	Temporarily restricted	Total	
			2010	2009
Public support and revenue:				
Public support:				
Contributions and grants	\$20,085,478	\$ 13,974,920	\$ 34,060,398	\$ 40,533,587
Special events	6,693,816	-	6,693,816	6,356,509
Total public support	26,779,294	13,974,920	40,754,214	46,890,096
Revenue:				
Investment income (loss), net	(386,400)	6,313,040	5,926,640	(10,723,034)
Investment income (loss), net from limited partnerships	-	2,034,489	2,034,489	(4,764,434)
Publications	44,964	-	44,964	71,894
Other	36,233	-	36,233	68,790
Total revenue	(305,203)	8,347,529	8,042,326	(15,346,784)
Net assets released from restrictions (Note 7)	14,435,646	(14,435,646)	-	-
Transfers	1,200,000	(1,200,000)	-	-
Total support and revenue	42,109,737	6,686,803	48,796,540	31,543,312
Expenses:				
Program services:				
Africa	5,263,931	-	5,263,931	5,237,284
Americas	1,204,866	-	1,204,866	1,414,128
Asia	3,824,840	-	3,824,840	3,478,227
Europe and Central Asia	3,729,262	-	3,729,262	4,139,340
Middle East and North Africa	2,487,143	-	2,487,143	2,460,861
United States	855,543	-	855,543	1,060,999
Children's Rights	1,422,990	-	1,422,990	1,665,758
Health and Human Rights	1,497,380	-	1,497,380	1,043,458
International Justice	1,276,024	-	1,276,024	1,557,822
Women's Rights	2,069,850	-	2,069,850	2,000,382
Other Programs	9,589,236	-	9,589,236	9,309,668
Total program services	33,221,065	-	33,221,065	33,367,927
Supporting services:				
Management and general	2,344,370	-	2,344,370	2,160,437
Fundraising	8,587,204	-	8,587,204	8,512,015
Total supporting services	10,931,574	-	10,931,574	10,672,452
Total expenses	44,152,639	-	44,152,639	44,040,379
Change in net assets	(2,042,902)	6,686,803	4,643,901	(12,497,067)
Net assets, beginning of year	7,998,016	98,360,453	106,358,469	118,855,536
Net assets, end of year	\$ 5,955,114	\$105,047,256	\$111,002,370	\$106,358,469

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Statement of Functional Expenses (with comparative totals for 2009)

Year ended June 30.

	Program services											Supporting services			2010	2009	
	Africa	Americas	Asia	Europe & Central Asia	Middle East & North Africa	United States	Children's Rights	Health & Human Rights	International Justice	Women's Rights	Other Programs	Total	Management and general	Fundraising			Total
Salaries and related expenses:																	
Salaries	\$2,541,587	\$ 646,995	\$1,959,451	\$1,858,520	\$1,197,535	\$486,016	\$ 761,412	\$ 764,320	\$ 687,466	\$1,122,002	\$4,498,976	\$16,524,280	\$ 948,943	\$2,662,665	\$ 3,611,608	\$20,135,888	\$21,149,012
Insurance and employee benefits	346,743	81,465	293,984	255,148	173,308	64,856	107,361	112,154	97,369	156,491	654,943	2,343,822	122,723	459,283	582,006	2,925,828	2,680,771
Retirement plan	180,362	40,602	123,829	147,007	76,682	35,649	59,278	50,810	57,112	61,413	296,029	1,128,773	70,794	206,350	277,144	1,405,917	1,284,776
Payroll taxes	268,707	52,586	139,881	199,633	91,942	41,079	84,532	61,416	90,196	100,136	449,491	1,579,599	102,604	305,857	408,461	1,988,060	1,904,246
Total salaries and related expenses	3,337,399	821,648	2,517,145	2,460,308	1,539,467	627,600	1,012,583	988,700	932,143	1,440,042	5,899,439	21,576,474	1,245,064	3,634,155	4,879,219	26,455,693	27,018,805
Consultants' fees	51,325	37,559	115,625	84,370	31,525	3,885	5,895	68,243	5,279	28,540	384,557	816,803	24,916	394,349	419,265	1,236,068	1,158,383
Publications	157,840	30,592	68,917	82,754	151,413	10,519	51,302	36,144	33,599	38,376	176,978	838,434	43,763	10,260	54,023	892,457	908,391
Information services	25,317	5,722	19,285	21,973	11,261	9,492	11,544	10,987	6,049	10,554	52,176	184,360	22,920	22,432	45,352	229,712	314,570
Travel, meals and meetings	638,398	110,024	382,258	335,001	289,164	64,172	125,394	175,257	107,297	191,946	788,874	3,207,785	112,120	287,443	399,563	3,607,348	3,686,720
Outreach	-	-	-	-	-	-	-	-	-	-	460,654	460,654	-	115,999	115,999	576,653	710,849
Special projects	246,286	1,021	125,050	151,250	90,724	191	798	2,700	-	7,489	192,357	817,866	-	19,247	19,247	837,113	732,002
Special events	-	-	-	-	6,619	-	-	-	-	-	55,892	62,511	-	1,471,669	1,471,669	1,534,180	1,701,416
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	-	1,586,723	1,586,723	1,586,723	1,664,321
Rent	341,030	84,285	252,855	250,262	155,603	59,648	90,509	90,769	81,043	150,416	601,583	2,158,003	382,525	433,198	815,723	2,973,726	2,661,236
Office expenses	190,278	47,027	141,383	139,633	86,819	33,281	50,500	50,644	45,218	83,925	415,834	1,284,542	213,429	195,760	409,189	1,693,731	1,403,561
Postage and delivery	20,059	4,257	17,442	13,349	8,259	2,361	6,414	6,380	5,078	6,611	42,300	132,510	14,931	60,078	75,009	207,519	246,044
Telephone and fax	71,851	17,758	53,274	52,727	32,784	12,567	19,069	19,124	17,075	31,691	125,609	453,529	80,594	87,341	167,935	621,464	442,768
Professional fees	99,837	24,136	69,094	75,764	45,036	17,081	26,606	25,992	23,207	43,073	244,995	694,821	109,539	165,561	275,100	969,921	665,456
Total expenses before depreciation and amortization	5,179,620	1,184,029	3,762,328	3,667,391	2,448,674	840,797	1,400,614	1,474,940	1,255,988	2,032,663	9,441,248	32,688,292	2,249,801	8,484,215	10,734,016	43,422,308	43,314,522
Depreciation and amortization	84,311	20,837	62,512	61,871	38,469	14,746	22,376	22,440	20,036	37,187	147,988	532,773	94,569	102,989	197,558	730,331	725,857
Total expenses	\$5,263,931	\$1,204,866	\$3,824,840	\$3,729,262	\$2,487,143	\$855,543	\$1,422,990	\$1,497,380	\$1,276,024	\$2,069,850	\$9,589,236	\$33,221,065	\$2,344,370	\$8,587,204	\$10,931,574	\$44,152,639	\$44,040,379

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Statement of Cash Flows (with comparative totals for 2009)

<i>Year ended June 30,</i>	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 4,643,901	\$(12,497,067)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	730,331	725,857
Realized (gain) loss on investments	(3,163,724)	8,242,616
Unrealized (gain) loss on investments	(5,224,597)	7,268,136
Change in discount on contributions receivable	88,920	(87,812)
Decrease (increase) in assets:		
Contributions receivable	(973,459)	(867,946)
Other receivables	(336,071)	(351,877)
Prepaid expenses	(50,120)	472,523
Security deposits	(12,502)	288
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	99,753	(146,233)
Accrued pension expense	2,265	21,725
Deferred rent	(70,565)	(204,539)
Net cash provided by (used in) operating activities	(4,265,868)	2,575,671
Cash flows from investing activities:		
Net (purchases) sales of investments	2,795,766	(2,145,472)
Purchases of fixed assets	(675,722)	(457,307)
Net cash provided by (used in) investing activities	2,120,044	(2,602,779)
Net decrease in cash and cash equivalents	(2,145,824)	(27,108)
Cash and cash equivalents, beginning of year	21,014,900	21,042,008
Cash, and cash equivalents, end of year	\$18,869,076	\$ 21,014,900

See accompanying notes to financial statements.

Human Rights Watch, Inc.

Notes to Financial Statements

1. Nature of Organization

Human Rights Watch, Inc. (“HRW”) is a nonprofit organization that works to stop human rights abuses. Currently, it monitors and promotes human rights in over 80 countries worldwide. Its program is divided into five parts for each region of the world plus the United States and thematic programs devoted to women’s rights, children’s rights, refugees, military affairs, international justice, terrorism/counterterrorism, the human rights responsibilities of corporations, gay and lesbian rights, and health and human rights.

HRW obtains financial support from the public - primarily individuals and foundations, but also estates, trusts and businesses. It does not seek or accept financial support from any government or government-funded agency. Principal offices in 2010 were located in New York, Washington, London, Brussels, Berlin, Chicago, Los Angeles, San Francisco, Toronto, Moscow, Geneva, Paris, Johannesburg and Tokyo.

2. Summary of Significant Accounting Policies

(a) General

The financial statements have been prepared on an accrual basis. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

(b) Financial Statement Presentation

The classification of HRW’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

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The classes of net assets are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by HRW is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of HRW pursuant to those stipulations.
- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by HRW is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HRW pursuant to those stipulations.
- (iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Accounting Changes*

In June 2009, the Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”) effective for certain financial statements issued for interim and annual periods ending after September 15, 2009. The ASC identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (“GAAP”) in the United States. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (“ASU”).

(d) *Cash and Cash Equivalents*

HRW considers all money market funds and investments with maturities of three months or less at the time of purchase to be cash equivalents.

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(e) *Contributions Receivable and Allowances*

HRW reports unconditional promises to give as contributions. If amounts are expected to be collected within one year, they are recorded at net realized value. If amounts are expected to be collected in future years, they are recorded at the net present value of their estimated future cash flows using a discount rate of 3.0%.

HRW uses the allowance method for uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis and evaluation of specific promises made. While management uses the best information available to make its evaluation, future adjustments to allowance may be necessary if there are significant changes in economic conditions.

(f) *Contributed Services*

For the year ended June 30, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist HRW at the residents' facilities. HRW receives more than 5,000 volunteer hours per year.

(g) *Investments at Fair Value*

Investments are stated at fair value. All investments for which market values are not readily available (including investments which are subject to limitations as to their sale) are valued at fair value as determined in good faith by the management of HRW although the actual calculations may be done by others.

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(h) *Financial Instruments and Fair Value*

ASC 820, “Fair Value Measurements and Disclosures” (formerly SFAS No. 157, “Fair Value Measurements”) establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as HRW would use in pricing HRW’s asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of HRW are traded. HRW estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor

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in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

(i) *Investments in Limited Partnerships*

HRW’s investments in limited partnerships (“investment entities”) are accounted for under the equity method. These investments are stated at fair value based upon HRW’s equity interest reported by the investment entities. Income is recorded on a quarterly basis upon receipt of reports submitted by the investment entities.

Investment entities and other investment companies are selected by the Investment Committee which receives offering documents and performance history of each investment manager. The Investment Committee interviews the manager to determine whether the investment philosophy (particularly with respect to risk) and strategies of the partnership are in the best interests of HRW. Only after the Investment Committee makes a positive recommendation does HRW invest in an investment entity. In addition, the actions of the Investment Committee are subject to review and approval by the Board of Directors of HRW, as the case may be.

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(j) *Endowment Fund*

The Endowment Fund represents the principal amount of gifts accepted with the stipulation of the donors or the Board of Directors that the principal be maintained intact until the occurrence of a specified event. The Endowment Fund has been established under a formal arrangement whereby HRW can spend no more than 5% of the Endowment Fund value, as defined, each year for operations. In the case of exceptional circumstances, as declared by a vote of two-thirds of the Board of Directors, HRW may spend more than the previously stated 5%. The net assets of the Endowment Fund relating to assets received as part of the 1998 Endowment Campaign have been designated as temporarily restricted. The Endowment Fund net asset value at June 30, 2010 was \$74,069,004.

(k) *Investment Impairment*

HRW's investments consist of corporate bonds, US government obligations, equity securities, mutual funds and limited partnerships. At June 30, 2010, HRW has deemed that all securities, which were in an unrealized loss position, were temporarily impaired. Positive evidence considered in reaching HRW's conclusion that the investments in an unrealized loss position are not other-than-temporarily impaired consisted of:

- (i) there were no specific events which caused concerns;
- (ii) HRW's ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value; and
- (iii) HRW also determined that the changes in market value were considered normal in relation to overall fluctuations in market conditions.

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(l) *Fixed Assets*

Fixed assets are recorded at cost when purchased. Depreciation is computed on an accelerated basis or on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture and fixtures	7 years
Office equipment	5 years
Computer hardware and software	5 years

Leasehold improvements are depreciated over the shorter of the term of the lease or their useful lives.

(m) *Functional Allocation of Expenses*

The cost of providing the various programs and other activities has been summarized on an individual basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(n) *Revenue Recognition*

The operations of HRW are financed principally by foundation grants and contributions received from the general public. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or absence of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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(o) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and other disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

(p) *Income Taxes*

HRW is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. HRW has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2010.

(q) *Accounting for Uncertainty in Income Taxes*

HRW adopted the provisions of ASC 740, “Income Taxes” (relevant portions of which were previously addressed in FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”), on July 1, 2008. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. HRW does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. HRW has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, HRW has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2010, there was no interest or penalties recorded or included in the statements of activities.

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(r) *Net Asset Classification*

In August 2008, ASC 958-205, formerly Statement of Financial Accounting Standards (“SFAS”) No. 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for All Endowment Funds” was issued. This statement is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This statement provides guidance on classifying the net assets (equity) associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds.

(s) *Concentration of Credit Risk*

Financial instruments which potentially subject HRW to concentration of credit risk consist primarily of cash and cash equivalents. At various times, HRW has cash deposits at financial institutions which exceed the FDIC insurance limits.

3. Financial Instruments and Fair Value

HRW’s holdings in stocks consist principally of equity securities carried at their aggregate market value that is determined by quoted market prices. Each of the above investments can be liquidated daily. The valuation of the above is based on Level 1 inputs within the hierarchy used in measuring fair value.

HRW also has investments in fixed income securities which include corporate bonds and U.S. Treasury securities. The investment managers priced these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities may not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using its proprietary pricing applications which include available relevant market information, benchmark curves,

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benchmarking of similar securities, sector grouping and matrix pricing. These investments are classified as Level 2.

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns, all of which are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated using information provided to HRW by the investment managers or general partners.

Below sets forth a table of assets measured at fair value as of:

<i>June 30,</i>	2010	2009
Cash and cash equivalents	\$18,869,076	\$21,014,900
Corporate bonds	11,459,867	5,320,268
U.S. government agency obligations	2,629,983	6,671,833
Certificates of deposit	557,002	837,866
Corporate stocks	27,640,088	28,051,471
Mutual funds	4,263,014	2,825,287
Alternative investments and private equity	24,482,736	21,733,410
Total	\$89,901,766	\$86,455,035

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Description	Fair value measurement at report date using			Balance as of June 30, 2010
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash and cash equivalents	\$18,869,076	\$ -	\$ -	\$18,869,076
Corporate stocks	27,640,088	-	-	27,640,088
Publicly-traded mutual funds	4,263,014	-	-	4,263,014
Corporate bonds and U.S. government agency obligations	-	14,646,852	-	14,646,852
Alternative investments and private equity	-	-	24,482,736	24,482,736
Total	\$50,772,178	\$14,646,852	\$24,482,736	\$89,901,766
	56%	16%	28%	100%

Description	Fair value measurement at report date using			Balance as of June 30, 2009
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash and cash equivalents	\$21,014,900	\$ -	\$ -	\$21,014,900
Corporate stocks	28,051,471	-	-	28,051,471
Publicly-traded mutual funds	2,825,287	-	-	2,825,287
Corporate bonds and U.S. government agency obligations	-	12,829,967	-	12,829,967
Alternative investments and private equity	-	-	21,733,410	21,733,410
Total	\$51,891,658	\$12,829,967	\$21,733,410	\$86,455,035
	63%	12%	25%	100%

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Notes to Financial Statements

The following tables set forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the years ended June 30, 2010 and 2009:

Description	Balance at June 30, 2009	Capital contribution	Sales	Realized gain	Unrealized gain (loss)	Balance at June 30, 2010
Investment portfolio:						
Alternative investments	\$17,527,042	\$3,338,824	\$(8,063,000)	\$1,112,350	\$ 794,696	\$14,709,912
Alternative investments with earliest redemption greater than 1 year	-	5,000,000	-	-	(114,260)	4,885,740
Private equity	4,206,368	385,400	(228,301)	29,150	494,467	4,887,084
Total	\$21,733,410	\$8,724,224	\$(8,291,301)	\$1,141,500	\$1,174,903	\$24,482,736

Description	Balance at June 30, 2008	Capital contribution	Sales	Realized loss	Unrealized loss	Balance at June 30, 2009
Investment portfolio:						
Alternative investments	\$20,160,601	\$1,418,553	\$(19,388)	\$(1,211,952)	\$(458,540)	\$19,889,274
Private equity	2,212,565	160,000	(44,435)	(27,222)	(456,772)	1,844,136
Total	\$22,373,166	\$1,578,553	\$(63,823)	\$(1,239,174)	\$(915,312)	\$21,733,410

Human Rights Watch, Inc.

Notes to Financial Statements

The following tables represent the fair market value and gross unrealized losses for securities where the estimated fair value had declined and remained below amortized cost by less than 12 months or 12 months or more as of June 30, 2010 and 2009:

Description of securities:	June 30, 2010					
	Less than 12 months		12 months or more		Total	
	Fair market value	Unrealized losses	Fair market value	Unrealized losses	Fair market value	Unrealized losses
Common stock	\$2,891,633	\$(385,787)	\$1,695,137	\$(842,657)	\$4,586,770	\$(1,228,444)

Description of securities:	June 30, 2009					
	Less than 12 months		12 months or more		Total	
	Fair market value	Unrealized losses	Fair market value	Unrealized losses	Fair market value	Unrealized losses
Common stock	\$4,598,008	\$(1,187,889)	\$4,097,794	\$(2,745,835)	\$ 8,695,802	\$(3,933,724)
Publicly-traded mutual funds	2,825,306	(2,763,572)	-	-	2,825,306	(2,763,572)
Total	\$7,423,314	\$(3,951,461)	\$4,097,794	\$(2,745,835)	\$11,521,108	\$(6,697,296)

Human Rights Watch, Inc.

Notes to Financial Statements

In accordance with ASU 2009-12, HRW expanded its disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which the fair value is not readily determinable, as of June 30, 2010. The following table for June 30, 2010, sets forth a summary of the HRW's investments with a reported net asset value:

Fair value estimated using net asset value per share at June 30, 2010

Investments	Fair value	Unfunded commitments	Redemption frequency	Other redemption restrictions	Redemption notice period
Anchorage Capital Partners Offshore, Ltd.	\$ 976,524	None	Every 24 months	None	45 days
Blue Orchid Select, Ltd.	2,617,122	None	Semi-annually	None	60 days
Davidson Kempner Distressed Opportunities International Ltd.	2,651,408	None	Annually	None	60 days
Davidson Kempner Institutional Partners, L.P.	1,999,950	None	Quarterly	None	65 days
Fir Tree International Value Fund, Ltd.	934,444	None	Every 24 months	None	60 days
Mason Capital, Ltd.	974,772	None	Annually	2-year lock-up	45 days
Millgate International Ltd.	907,970	None	Quarterly	None	90 days
SCP Atlantic Fund, Ltd.	934,294	None	Quarterly	1-year lock-up	60 days
Taconic Offshore Fund 1.5 Ltd.	996,819	None	Annually	None	60 days
Valinor Capital Partners Offshore (2-B Tranche 2)	1,000,000	None	Annually	1-year lock-up	60 days
Valinor Capital Partners Offshore (2-C)	1,000,000	None	1/3 quarterly	2-year lock-up	60 days

Human Rights Watch, Inc.

Notes to Financial Statements

4. **Investments in Limited Partnerships**

As of June 30, 2010, \$11,488,387 (16%) of HRW's investment portfolio consisted of interests in limited partnerships, which are engaged in a variety of investment strategies. As audited financial statements of these partnerships are only available as at the prior year end (December 31, 2009), HRW uses a valuation process to determine the value at the close of its fiscal year (June 30, 2010). The valuation process utilizes a variety of due diligence efforts including, but not limited to, advice of its investment advisors, Cambridge Associates, benchmarking data of comparable partnerships which are available, fund manager credentials, and queries of the partnerships by their independent auditors. Investment gains resulting from these investments was \$2,034,489 as of June 30, 2010.

These investment entities invest in various domestic and international types of securities and derivative financial instruments. Redemptions of HRW's investments in these investment entities vary, but are primarily available at month-end, quarter-end, or year-end with appropriate notice. Management fees and incentive fees are charged by these investment entities at an annual rate ranging from .5% to 1.5% plus an incentive allocation, usually 20% of profits.

In general, risks associated with such investments include those related to their underlying investments.

There can be no assurance that HRW will continue to achieve the same level of returns on its investments in limited partnerships and other investment companies that it has received during the past periods or that it will achieve any returns on such investments at all. In addition, there can be no assurance that HRW will receive a return of all or any portion of its current or future capital investments in limited partnerships and other investment companies. The failure of HRW to receive the return of a material portion of its capital investments in these investments, or to achieve historic levels of returns on such investments, could have a material adverse effect on HRW's financial condition and results of operations.

Human Rights Watch, Inc.

Notes to Financial Statements

5. Contributions Receivable, Net

At June 30, 2010, the net present value of contributions receivable is \$20,741,758. Net present value was calculated using a discounted rate equal to the estimated earnings rate of HRW, which was calculated to be 3.0%.

Net present value of contributions receivable, net of a reserve for doubtful accounts, at June 30, 2010 is summarized below:

June 30, 2010

Total contributions receivable at June 30, 2010	\$21,842,391
Allowance for doubtful accounts	(690,875)
Total	21,151,516
Discount at 3.0%	(409,758)
Net present value of contributions receivable at June 30, 2010	\$20,741,758

Amounts due in:

One year	\$13,290,846
Two to five years	8,551,545
Total	\$21,842,391

6. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2010

Leasehold improvements	\$ 3,492,023
Furniture and fixtures	444,816
Office equipment	179,999
Computer hardware and software	2,282,200
	6,399,038
Less: Accumulated depreciation and amortization	(4,495,737)
	\$ 1,903,301

Human Rights Watch, Inc.

Notes to Financial Statements

7. **Temporarily Restricted Net Assets and Net Assets Released from Restrictions**

Temporarily restricted net assets were available for the following purposes at June 30, 2010:

Donor imposed time restrictions	\$ 30,978,252
Endowment fund	74,069,004
	<u>\$105,047,256</u>

Temporarily restricted net assets that were released from donor restrictions at June 30, 2010 are as follows:

Donor-imposed time restrictions	<u>\$14,435,646</u>
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8. **Endowments – Net Asset Classifications**

HRW’s endowments consist of investments that are temporarily restricted. Under FSP ASC 958-205, the following applies to the endowment funds:

Interpretation of relevant law - the spending of endowment funds by a not-for-profit corporation in the State of New York is currently governed by UMIFA, as enacted in 1978 in the New York Not-For-Profit Corporation Law. HRW has interpreted UMIFA as requiring the preservation of the historical dollar value, or principal, of an endowment fund unless the donor provides otherwise by specifying in their written gift instruments that the not-for-profit corporation’s spending-rate policy be applied to the endowment funds.

Investment and spending policies - HRW has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. The endowment funds are invested in vehicles such as government and equity securities, as well as alternative investments and private equity.

Human Rights Watch, Inc.

Notes to Financial Statements

HRW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;
- the purposes of HRW and the donor-restricted endowment funds;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- other resources of HRW; and
- the investment policy of HRW.

For the year ended June 30, 2010, all assets included in HRW's Endowment Fund are as follows:

Year ended June 30, 2010

Cash and cash equivalents	\$ 5,634,959
Corporate bonds	11,459,867
U.S. government agency obligations	31,338
Certificate of deposit	557,002
Corporate stocks	27,640,087
Mutual funds	4,263,014
Alternative investments	24,482,737
Total	\$74,069,004

Human Rights Watch, Inc.

Notes to Financial Statements

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2010:

	Temporarily restricted
Endowment net assets, beginning of year	\$66,921,476
Investment income:	
Investment income	1,339,325
Net appreciation (realized and unrealized)	7,414,966
Investment fees	(406,763)
Total investment income, net	8,347,528
Transfers	(1,200,000)
Endowment net assets, end of year	\$74,069,004

9. Retirement Plan

HRW has a tax deferred annuity plan (the “Plan”) under Section 403(b) of the Internal Revenue Code. Participating employees make pretax contributions of up to the maximum allowable IRS limitations. All full time U.S. employees are eligible to participate in the Plan as of their date of hire. Upon participation in the Plan, employees are 100% vested in their contributions.

HRW also has a defined contribution plan (the “Plan”) under Section 403(b) of the Internal Revenue Code. Each year, HRW contributes to the Plan 10% of each participant’s before-tax compensation subject to annual IRS limitations. All full time U.S. employees are eligible to participate after two years of continuous employment. Participants become fully vested immediately following participation in the Plan. HRW’s contribution for the year ended June 30, 2010 was \$1,405,917.

Human Rights Watch, Inc.

Notes to Financial Statements

- 10. Commitments** Pursuant to facility and equipment lease agreements, HRW is obligated for minimum annual rentals to nonrelated parties, as indicated below. Minimum future annual rental payments under the lease agreements expiring in 2015 are as follows:

<i>Year ending June 30,</i>	
2011	\$ 2,100,351
2012	2,060,404
2013	1,828,993
2014	1,842,985
2015	1,344,958
Thereafter	2,328,385
	<hr/>
	\$11,506,076

HRW leases office space in various countries on a month-to-month basis. Rent expense for the year ended June 30, 2010 amounted to \$2,973,726.

- 11. Subsequent Events** HRW's management has performed subsequent events procedures through September 28, 2010, which is the date the financial statements were available for issuance and there were no subsequent events requiring adjustments or disclosure to the financial statements.